

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SSC-01 AID-05 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 EB-07 OMB-01 COME-00 TRSE-00 /071 W

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R 102141Z NOV 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 838

INFO AMEMBASSY QUITO

C O N F I D E N T I A L CARACAS 11667

EO 11652: GDS

TAGS: ENRG PINR EC VE

SUBJ: JUAN CHACIN AND THE CVP SITUATION

REF: QUITO 8015, CARACAS 11303

1. REFTEL VERY MUCH APPRICIATED. JUAN CHACIN HAS NOT YET BEEN FORMALLY NOMINATED AS NEW CVP DIRECTOR GENERAL, ALTHOUGH HIS APPOINTMENT HAS BEEN IN THE WORKS FOR SOME TIME. THE APPOINTMENT HAS BEEN DELAYED BY A VENEZUELAN CONGRESSIONAL INVESTIGATION OF OCCIDENTAL PETROLEUM COMPANY'S ALLEGED BRIBERY OF OFFICIALS TO OBTAIN SOUTH LAKE MARACAIBO SERVICE CONTRACTS. CVP ROLE IN SERVICE CONTRACTS HAS BEEN BROUGHT INTO QUESTION, AND PRESENT DIRECTOR GENERAL, RETIRED GENERAL CARLOS CARNEVALI, IS UNDER FIRE FOR APPROVING COMMERCIALITY OF ONE OCCODENTAL SERVICE CONTRACT, WHICH WOULD MAKE COMPANY ELIGIBLE FOR OIL NATIONALIZATION COMPENSATION PAYMENT.

2. REPLACEMENT OF CARNEVALI WITH CAHCIN AT THIS MOMENT WOULD BE CONSTRUED BY OPPOSITION AND ALARGE SEGMENT OF THE PUBLIC AS AN ADMISSION THAT CVP WAS INVOLVED IN BRIBERY, AND THAT GRANTING COMMERCIALITY TO OCCIDENTAL WAS THE PAYOFF. CARACAS NEWSPAPER REPORT THAT CHACIN WILL BE NAMED TO HEAD CVP CAUSED THE MINES MINISTER TO ANNOUNCE
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THAT CARNEVALI WOULD REMAIN DIRECTOR GENERAL "AS LONG AS

CVP IS A STATE CORPORATION." THIS MEANS UNTIL JANUARY 1,
WHEN CVP BECOMES A COMMERCIALY INCORPORATED ENTITY AND
A SUBSIDIARY OF PETROVEN.

3. BRIBERY INVESTIGATION SHOULD BE CONCLUDED BY
JANUARY 1, PERMITTING CHACIN TO BE CONFIRMED TO CVP POST
AND CARNEVALI TO GO TO ECUADOR AS VENEZUELAN AMBASSADOR
(REFTEL). CHACIN WILL INHERIT DIFFICULT JOB. COMPLAINT
ABOUT CVP IS MORE ONE OF INEFFICIENCY THAN CORRUPTION.
THE STATE COMPANY EMPLOYS OVER 15 PERCENT OF INDUSTRY
WORK FORCE, WHILE PRODUCING ONLY ABOUT 2 PERCENT OF THE
OIL. IT HAS GREAT DIFFICULTY SELLING EVEN THIS AMOUNT.
PERU DEAL ONLY WENT THROUGH BECAUSE OF GOV FINANCING.
MAJOR SALES EFFORT IN U.S. THROUGH VENFUEL TO JACKSON-
VILLE UTILITY COMPANY ENDED IN MESS. DOMESTICALLY,
CVP MARKETING OUTLETS HAVE RECEIVED SO MANY COMPLAINTS
THAT GOV HAS DECIDED TO PERMIT COMPETITION FROM NATION-
ALIZED SERVICE STATIONS OF FORMER CONCESSIONAIRES TO
CONTINUE RATHER THAN GIVE MONOPOLY TO CVP.
SHLAUDEMAM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, BRIBERY, PERSONNEL APPOINTMENTS, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA11667
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750391-0196
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751160/aaaacbhd.tel
Line Count: 81
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 QUITO 8015, 75 CARACAS 11303
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2003 by KelleyW0>; APPROVED <12 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JUAN CHACIN AND THE CVP SITUATION
TAGS: ENRG, PINR, EC, VE, OCCIDENTAL PETROLEUM CO, CVP, (CHACIN, JUAN)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006